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INFORMATION REPORT

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SUBJECT Economic and Political Activities in
North Kiangsu and South Shantung

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INFO.NO. OF ENCLS.
(LISTED BELOW)SUPPLEMENT TO
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25X1X

1. In 1950, authorities in North Kiangsu and South Shantung, in order to control prices, were buying up foodstuffs when prices fell below ceiling level and collecting taxes in villages when prices exceeded the ceiling. To meet the taxes, farmers were obliged to sell their stocks of foodstuffs. Thus, authorities were able to buy foodstuffs at lower than ceiling prices and to collect taxes at the same time. This method of controlling prices has been effective.
2. More than 80 percent of the stores, restaurants, and industrial concerns in North Kiangsu and South Shantung are operated by the government. More and more of these enterprises are being taken over by the government through its price control system. When prices are too high, the government dumps hoarded goods onto the market, and when they are low it purchases surplus goods on a large scale. Privately-run enterprises are unable to operate profitably during such price readjustments. The managers of those enterprises which have made a profit are branded as profiteers and are liable to being the subjects of accusation meetings. Many former store-keepers have become employees of state-operated firms, in which they are paid low salaries and from which they are unable to resign at will.
3. In rural areas, government authorities have established foodstuffs, cotton, and native produce cooperatives, and oil and flour mills with shareholders who are members of the Communist peasants' associations in each locality. These cooperatives buy thread, sesame seeds, and green lentils at low prices from well-to-do farmers, who must be satisfied with the low return or risk being subjected to accusation meetings.* On the other hand, these well-to-do farmers must buy large quantities of sesame oil, bean-starch vermicelli, and towels at high prices from these cooperatives as a contribution in kind to support the administration and the army. In a particular locality, cheaper commodities, even if available in surplus in other places, are not allowed to be brought in. Thus, personnel of the peasants' association control marketing in each locality.
4. The Communists have not relaxed their measures to sharpen farmers' awareness of the class struggle, despite the many other activities they prescribe for farmers, e.g. the production movement, mutual aid teams, and exchange of farm

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labor units designed to induce farmers to store up manure, deep-plow, intensify farming, and improve seed species and farming techniques. Regularly, after lunch and dinner, farmers are assembled to reexamine their experiences of the day for the purpose of correcting or improving methods and considering thought issues. These meetings have fatigued farm laborers to such an extent that they produce less.

5. In determining the land tax in kind to be levied against farmers, the government considers the quality of the soil as well as the size of the farm and charges at a progressive rate accordingly. Rich farmers must pay from 60 to 70 percent of their annual production as land tax in kind, well-to-do farmers must pay from 30 to 50 percent, and poor farmers must pay up to five percent. For instance, a family of five with 30 mou of land is taxed for six mou per capita at a rate which is 30 percent of the annual production of the family. A unit of villages consisting of more than 100 families and 600 to 700 mou of farmland is considered an "administrative village", and each family is taxed as having six or seven mou of land.
6. Tax systems have caused some lowering of production. Farmers express their attitudes in this way: "We can cultivate one mou or two mou of land without much worry, but we cannot meet the land tax levies with three mou or five mou of land." Rich farmers especially do not care to exert their utmost efforts to obtain high production because they may be subjected to accusation meetings. Landlords, whether large or small land-owners, must pay from 90 to 130 percent (sic) of their annual production as tax-in-kind. Thus, those paying the higher tax must liquidate part of their land each year to meet it.
7. Commodities collected as taxes in kind are stored in depots to prevent looting. In some cases these commodities have spoiled and have had to be dumped into rivers or buried. Authorities keep such instances quiet, and persons who mention them are apt to be branded as "Nationalist agents". For example, during August 1950, the Ch'ing Liang Ch'ang Ch'u 6 Army provisions depots in Yen-cheng Hsien (120-09, 33-22) were filled with 754 piculs of spoiled grain, which authorities in the area reported was a result of sabotage by Nationalist agents in collusion with local "retrogressive" elements. The authorities ruled that local people had to pay for the grain. However, the local people filed a petition with the government of the East China District for an investigation.
8. Before embarking on military movements, government authorities hold political meetings at which they explain the necessity for the activities. After the meetings, local people are organized for action. The militia commander is charged with such tasks as carrying wounded soldiers and provisions, setting up army depots, rounding up stragglers, and overseeing war prisoners. He also selects members of the militia to fight with regular army troops. Women's nursing units and youth propaganda units are organized. Old people and children are used to convey army messages, husk rice, grind flour for noodles, act as sentinels, and keep watch on spies. Persons over 50 years of age are organized into special units, the leaders of which are responsible for any slackness in war efforts of their members. In addition, competitions between local areas are organized to keep war efforts at a high tempo.

25X1A * [REDACTED] Comment: Descriptions of such accusation meetings held by peasants' associations against landlords and wealthy farmers were given in [REDACTED] 25X1A

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